

Message Text

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ACTION NEA-10

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C O R R E C T E D C O P Y - T E X T (P A R A 6 .)

E.O. 11652: N/A
TAGS: ETRD, EINV, US, GW
SUBJECT: VISIT OF FRG MINISTER OF ECONOMICS TO INDIA

REF: BONN 14694

1. SUMMARY. FRG MINISTER OF ECONOMICS LAMBSDORFF HAD A SUCCESSFUL VISIT IN INDIA FROM AUGUST 12-17. HIS DISCUSSIONS WITH TOP GOI OFFICIALS WERE DESIGNED TO IMPROVE FRG'S POLITICAL AND ECONOMIC RELATIONSHIP WITH INDIA. NO ECONOMIC AGREEMENTS WERE SIGNED. END SUMMARY.

2. OVERVIEW. LAMBSDORFF'S TRIP WAS THE FIRST VISIT OF A FRG ECONOMICS MINISTER TO INDIA IN 20 YEARS. FRG EMBASSY OFFICER KRUEGER TOLD EMBOFF THAT VISIT WAS FOR "POLITICAL" REASONS AS MUCH AS ECONOMIC. LAMBSDORFF SAW PRIME MINISTER DESAI AND A NUMBER OF CABINET MINISTERS. HE ALSO PAID A CALL ON MRS. GANDHI. KRUEGER SAID THERE WERE FRANK DISCUSSIONS ON A RANGE
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OF ISSUES, BUT THAT NO CONCRETE AGREEMENTS HAD BEEN REACHED (ALTHOUGH NONE HAD BEEN EXPECTED). HE TOLD US THAT VISIT WAS CONSIDERED A SUCCESS.

3. NORTH-SOUTH DIALOGUE. ACCORDING KRUEGER, LAMBSDORFF SPENT CONSIDERABLE TIME WITH INDIAN MINISTERS EXPLAINING FRG POSITION ON NORTH-SOUTH ISSUES, INCLUDING COMMON FUND AND

COMMODITY ARRANGEMENTS. KRUEGER SAID THAT FRG REITERATED ITS POLICY, WHICH COINCIDED WITH USG VIEWS ON THESE ISSUES. HE INDICATED THAT LAMBSDORFF HAD FRANKEST DISCUSSION WITH FINANCE MINISTER PATEL, WHO TOOK A RELATIVELY MODERATE POSITION ON THE COMMON FUND.

4. PRIVATE FOREIGN INVESTMENT. LAMBSDORFF TOOK UP SEVERAL INVESTMENT PROBLEMS TROUBLING WEST GERMAN INVESTORS HERE. WORK PERMITS FOR GERMAN BUSINESSMEN OR TECHNICIANS SOMETIMES RUN OUT BEFORE THEIR ASSIGNMENTS ARE COMPLETED. THERE WAS DISCUSSION ABOUT GOI DETERMINATION OF THE "FAIR PRICE" OF AN INVESTMENT HERE AS A FIRM GOES THROUGH THE PROCESS OF EQUITY DILUTION. KRUEGER SAID THAT GOI OFFICIALS PROMISED TO LOOK INTO INVESTMENT PROBLEMS AND DEAL FAIRLY WITH FOREIGN INVESTORS. HE NOTED, HOWEVER, THAT NEWSPAPER REPORTS CLAIMING THAT THE GOI WOULD BE MORE FLEXIBLE IN IMPLEMENTING THE FOREIGN EXCHANGE REGULATION ACT (FERA) WERE ERRONEOUS. THE INDIANS HAD CLEARLY INDICATED TO THE FRG LAST YEAR THAT THE FERA AS SUCH COULD NOT BE DISCUSSED. KRUEGER ALSO SAID THAT WEST GERMAN BUSINESSMEN DID NOT VIEW INDIA'S INVESTMENT CLIMATE AS VERY SATISFACTORY AND THAT FRG PRIVATE INVESTMENT HERE HAD DECLINED IN RECENT YEARS. (SUCH INVESTMENT REACHED A PEAK IN 1971 AND HAS SINCE DECLINED SLIGHTLY TO DM 175 MILLION IN 1977.)

5. FOREIGN DEBT AND AID. LAMBSDORFF MADE CLEAR TO GOI OF-LIMITED OFFICIAL USE

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FICIALS FRG OPPOSITION TO BLANKET DEBT FORGIVENESS TO LDCS AND THE NEED FOR DEBT RELIEF TO BE ON A CASE BY CASE BASIS. KRUEGER SAID THAT, SINCE INDIA WAS IN VERY FAVORABLE BALANCE OF PAYMENTS SITUATION, IT DID NOT NEED DEBT RELIEF AT THE PRESENT TIME. HE SAID THAT FRG WOULD BE MAINTAINING ITS AID PROGRAM TO INDIA AT APPROXIMATELY THE SAME LEVEL AS IN THE PAST FEW YEARS. (FRG HAD A NET NEGATIVE AID TRANSFER OF \$46 MILLION WITH INDIA LAST FISCAL YEAR.)

6. TRADE. KRUEGER NOTED THAT THERE WERE NO OUTSTANDING TRADE PROBLEMS BETWEEN THE TWO COUNTRIES. WHEN GOI OFFICIALS ASKED ABOUT EC PROTECTIONISM, LAMBSDORFF REPLIED THAT FRG WAS ATTEMPTING TO RESIST THESE PRESSURES AND WAS MORE LIBERAL IN ITS TRADE POLICIES THAN FRANCE OR U.K. LAMBSDORFF POINTED OUT THAT FRG HAD EVEN TAKEN SOME OF FRENCH AND U.K. TEXTILE QUOTAS SO THAT MORE INDIAN TEXTILES COULD BE EXPORTED TO WEST GERMANY. (INDIA-FRG TRADE HAS BEEN GROWING IN RECENT YEARS AND AMOUNTED TO OVER DM 1.9 BILLION IN 1977. TRADE HAS CONSISTENTLY BEEN IN FAVOR OF THE FRG, ALTHOUGH INDIA'S TRADE WITH THE EC WAS ROUGHLY IN BALANCE LAST FISCAL YEAR.)
GOHEEN

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